Saskatchewan Research Council Employees' Pension Plan

Annual Report 2005

106-05330/

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SRC PENSION PLAN HIGHLIGHTS
DECEMBER 31, 2005

Defined Benefit Plan

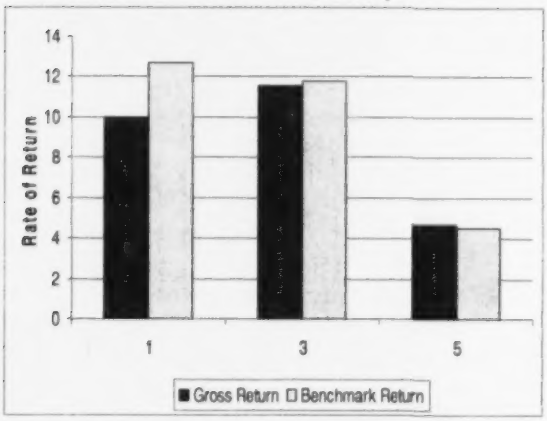
- The surplus in the defined benefit plan was $237k at December 31, 2005 compared to a surplus of $219k at December 31, 2004. The change is attributable to market gains.
- There was a decrease in the defined benefit plan obligation of $88k from $2,472k to $2,384k as a result of Plan experience.

Defined Contribution Plan

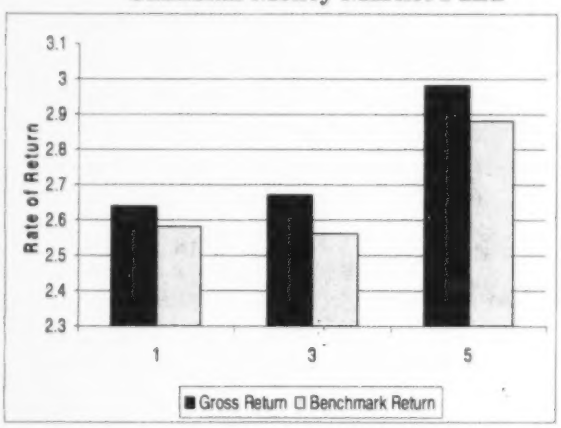
- The refund upon termination in 2005 was higher than 2004 as a result of the mix of staff retiring and leaving SRC.
- There was a net increase of fifteen (15) members for the defined contribution plan.

Rates of Return (pre-fee)

Balanced Pension Trust Fund



Canadian Money Market Fund



The two charts above show the gross (pre-fee) rate of return compared to the benchmark rate of return for the Balanced Pension Trust Fund and the Canadian Money Market Fund.

INTRODUCTION

Establishment

The Saskatchewan Research Council Employees' Pension Plan (Plan) was established in accordance with the *Income Tax Act* (Canada), and *The Pension Benefits Act, 1992* (Chapter P-6.001 of the Statutes of Saskatchewan) and the regulations thereunder.

Purpose

The Plan was established for permanent employees on May 1, 1974 for the purpose of providing retirement benefits to Saskatchewan Research Council (SRC) employees.

Structure

Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

ORGANIZATION CHART

Roles and Responsibilities

The Plan is administered by SRC. The Board of Directors has delegated the oversight and monitoring of the Plan to the Audit/Finance Committee of the Board. The Audit/Finance Committee has charged the President and CEO, in conjunction with SRC management, with overall responsibility for the day-to-day operations of the Plan. These duties include:

- Monitoring of the performance of the investment manager, record keeper, actuaries, legal counsel and any other third party service providers used by the Plan
- Review of the Plan's Statement of Investment Policies and Procedures (SIP&P)
- Plan member education
- Plan communication
- Remittance of pension contributions for employees in a timely manner
- Maintenance of appropriate financial records for the Plan
- Review of required or proposed changes to the Plan.

The President and CEO and SRC management provide regular communication and information to the Audit/Finance Committee at each Committee meeting. This assists the Committee with fulfilling their responsibilities for overseeing the Plan.

The Pension Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and advises SRC and Plan Members with respect to matters of concern to the Members. The PAC is comprised of a maximum of five members, of which one is from SRC's senior management and two to four are appointed by SRC from the list of Plan Members.

PLAN OVERVIEW

The following overview of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement.

Eligibility

All full time employees of SRC shall join the Plan on the date of employment. An employee who is employed by SRC on a less than full time continuous basis shall join the Plan on the date on which they have completed 24 months of less than full time continuous employment with SRC provided they have received earnings of at least 35% of the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan, in each of the two consecutive calendar years immediately prior to joining the Plan.

Contributions

The employer contributes 4.875% of the Member's Earnings up to the YMPE and 7.5% of the Member's Earnings above the YMPE, on a monthly basis. In any Plan year, a Member is not required nor permitted to make contributions to the Plan.

Withdrawals

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by SRC.

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a life annuity contract.

A member may direct all or any portion of their Plan account to one or any combination of these benefits to provide and protect their retirement income. Alternatively, a member may use their Plan account or a Locked-In Retirement Account (LIRA) as a holding account until the member needs to convert the money into retirement income. The member, however, must purchase a pension benefit from their LIRA by the end of the calendar year in which they turn 69.

In the event of the death of a Member before retirement, the sum of the amounts in the Member's account at the date of death shall be payable to the Member's Spouse, or to his/her beneficiary if there is no Spouse. The Member's Spouse may elect to purchase an immediate annuity with the Member's account balance, transfer the balance to a deferred life annuity, transfer the balance to the Spouse's existing registered pension plan, or transfer the balance to a Locked-In Retirement Account Contract.

Prior Retirees

Effective January 1, 1991 the defined benefit portion of the Plan was closed. Existing pensioners continue to receive defined benefit payments as per the Plan text.

Defined benefit pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. As of April 1, 2006 the defined benefit pensioners will receive an automatic increase. The last increase was effective April 1, 2005.

The SRC Board of Directors passed a resolution, such that in a year where indexing of pension benefits, as established under the Plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the Plan and may provide for an ad hoc increase.

INVESTMENT OF FUNDS

SRC is responsible for investing and holding in trust the Plan assets. SRC has retained Phillips, Hager & North Investment Management Ltd. (PH&N) as investment managers. London Life Investment Management Ltd. (an investment division of GRS) has been retained to hold the investments in a segregated fund. As at December 31, 2005, the defined benefit plan is limited to being invested by London Life Investment Management Ltd. in PH&N's Balanced Pension Trust fund and the defined contribution plan is limited to being invested in PH&N's Balanced Pension Trust fund and in PH&N's Canadian Money Market fund.

The investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to meet the long-term objectives of the Plan, as set forth by SRC management and the PAC. SRC management and the PAC review the investment performance of the Plan in terms of the performance of the benchmark portfolio over five-year rolling periods. The long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio over a five-year period, before management fees. The benchmark return is defined below for the two pension fund investment choices.

Consideration is also given to the level of administrative fees that are assessed in comparison to fees charged by other similar funds.

PH&N Canadian Money Market Fund

- Scotia Capital Markets 30 day T-Bill Index

The following table compares the fund's annualized gross rate of return to the investment objective return (the return of the benchmark portfolio) as of December 31, 2005.

Period ending December 31, 2005	Benchmark Return	Annualized Gross Return
One year return	2.58%	2.64%
Three year return	2.56%	2.67%
Five year return	2.88%	2.98%

PH&N Balanced Pension Trust Fund

- 35.0% S&P/TSX Capped Composite Index (Toronto Stock Exchange Index)
- 25.0% Morgan Stanley Capital International World Index (ex Canada)
- 35.0% Scotia Capital Markets Universe Bond Index
- 5.0% Scotia Capital Markets 30 day T-Bill Index

The following table compares the fund's annualized gross rate of return to the investment objective return (the return of the benchmark portfolio) as of December 31, 2005.

Period ending December 31, 2005	Benchmark Return	Annualized Gross Return
One year return	12.69%	10.01%
Three year return	11.78%	11.56%
Five year return	4.52%	4.67%

The one year annualized gross return rates were supplied by London Life Investment Management Ltd. The three and five year rates were supplied by Phillips, Hager & North.

The investment manager is to invest the Plan assets under its control in a diversified portfolio of qualified investments as defined by the *Income Tax Act* (Canada) within the following range of investment discretion:

Type of Investment	% of Portfolio at Market Value	
	Minimum	Maximum
Canadian Equities	30.0%	40.0%
Global Equities	20.0%	50.0%
Bonds	30.0%	40.0%
Cash and Short-term Notes	0.0%	15.0%

During the year, the foreign content restriction was removed by the federal government. While registered pension plans could have unlimited foreign content, the SRC plan is still limiting the foreign content to a maximum of 50%. Phillips, Hager & North have indicated that they are currently reviewing the foreign content limit for this fund but have not changed it from the previous limit of 30%.

INVESTMENT SUMMARY

The Plan's asset mix by type of investment as of December 31, 2005 is shown in the table below.

Type of Investment	% of Portfolio at Market Value
Canadian Equities	36.8%
Global Equities (consisting of)	25.6%
- US Equities	14.2%
- EAFE Equities *	11.4%
Bonds	34.6%
Cash and Short-term Notes	3.0%
Total Investments	100.0%

* EAFE – Europe, Asia and Far East Equities (Non-North American).

MEMBERSHIP STATUS

Defined Benefit Plan

During 2005, one of the pensioners passed away. Of the twenty-one (21) individuals receiving pension payments at December 31, 2005, thirteen (13) are retirees and eight (8) are surviving spouses.

Defined Contribution Plan

Total Membership as at December 31, 2004		212
Add:		
Enrollments during the year		35
Less:		
Termination of membership in the Plan	14	
Retirements	6	
Death	0	
Total exits		(20)
Total Membership as at December 31, 2005		227

ADMINISTRATION OF THE PLAN

The annual operating expenditures associated with the Plan's administration were paid by SRC and were not charged to the Plan during 2005.

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

REPORT OF MANAGEMENT
Year ended December 31, 2005

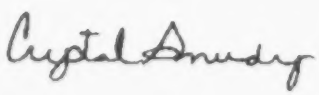
The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit/Finance Committee, which is composed of five non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

The Provincial Auditor of Saskatchewan has audited the Saskatchewan Research Council Employees' Pension Plan financial statements in accordance with Canadian generally accepted auditing standards and his report follows.

Laurier Schramm
President and CEO



Crystal Smudy, CA
Chief Financial Officer

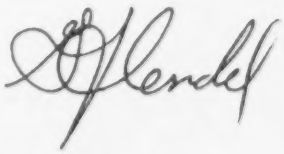
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits and accrued pension benefits and surplus of The Saskatchewan Research Council Employees' Pension Plan as at December 31, 2005 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus of the Plan as at December 31, 2005 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
February 21, 2006

Fred Wendel, CMA, CA
Provincial Auditor

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31
(thousands of dollars)

	2005			2004		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
ASSETS						
Segregated fund (Note 3)	$ 2,621	$ 19,121	$ 21,742	$ 2,691	$ 18,962	$ 21,653
Net assets available for benefits (Statement 2)	$ 2,621	$ 19,121	$ 21,742	$ 2,691	$ 18,962	$ 21,653
ACCRUED PENSION BENEFITS (Statement 3)	2,384	19,121	21,505	2,472	18,962	21,434
SURPLUS	$ 237	$ -	$ 237	$ 219	$ -	$ 219

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended December 31
(thousands of dollars)

	2005			2004		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
INCREASE IN ASSETS						
Current period change in value of investments	$ 255	$ 1,748	$ 2,003	$ 305	$ 1,966	$ 2,271
Contributions	-	591	591	1	546	547
Total increase in assets	$ 255	$ 2,339	$ 2,594	$ 306	$ 2,512	$ 2,818
DECREASE IN ASSETS						
Refunds and transfers	$ -	$ 2,180	$ 2,180	$ -	$ 475	$ 475
Retirement benefits	325	-	325	319	-	319
Total decrease in assets	$ 325	$ 2,180	$ 2,505	$ 319	$ 475	$ 794
(Decrease) increase in net assets	$ (70)	$ 159	$ 89	$ (13)	$ 2,037	$ 2,024
Net assets available for benefits, beginning of year	2,691	18,962	21,653	2,704	16,925	19,629
Net assets available for benefits, end of year – to Statement 1	$ 2,621	$ 19,121	$ 21,742	$ 2,691	$ 18,962	$ 21,653

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
Year ended December 31
(thousands of dollars)

	2005	2004
	Defined Benefit (Note 4)	Defined Benefit (Note 4)
Accrued pension benefits, beginning of year	$ 2,472	$ 2,508
Increase in accrued pension benefits		
Interest on accrued benefits	139	141
Pensioner increases (Note 1(e))	68	60
Experience losses (Note 5)	30	82
	$ 237	$ 283
Decrease in accrued pension benefits		
Benefits paid	$ 325	$ 319
	$ 325	$ 319
Accrued pension benefits, end of year – to Statement 1	$ 2,384	$ 2,472

(See accompanying notes to the financial statements)

1. Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement. The Plan is administered by the Saskatchewan Research Council (SRC). The Pension Plan Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and discusses with SRC and Plan Members matters of concern to the Members. The PAC is comprised of a maximum of five members, of which one is from the SRC's senior management and two to four are appointed by SRC from the list of Plan Members.

(a) General

The Saskatchewan Research Council Employees' Pension Plan was established May 1, 1974 for the purpose of providing retirement income to SRC's employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

(b) Funding Policy

The employer contributes 4.875% of the Member's Earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 7.5% of the Member's Earnings above the YMPE, as defined under the Canada Pension Plan, on a monthly basis. Under the terms of the Plan, members are neither allowed nor permitted to make contributions to the Plan.

(c) Retirement

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a life annuity contract.

(d) Termination Refunds

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by SRC.

1. Description of the Plan (continued)

(e) Defined Benefit Pensioners

Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. Based on the Plan rate of return, the pensioners will receive an increase on April 1, 2006. The last increase was effective April 1, 2005.

The SRC Board of Directors passed a resolution, such that in a year where indexing of pension benefits, as established under the Plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the pension plan and may provide for an ad hoc increase.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following principles are considered to be significant:

Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

Investments

Units in the segregated fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the segregated fund's portfolio divided by the total number of outstanding units in that fund. The adjustments necessary to record units at their net asset value at the year end are shown as an increase or decrease in net assets available for benefits.

Additional units are acquired when distributions are made by the fund. Cash dividends are not paid by the fund, however, investors can realize changes in the underlying unit values by redeeming units.

3. Segregated Fund

The investments are held in a segregated fund held by London Life Investment Management Ltd. The segregated fund holds the underlying Phillips, Hager & North funds on behalf of members.

The investment objectives of the Plan are to ensure that the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. The strategy employed to achieve these objectives is to invest cash flows from contributions into assets such as a segregated fund.

3. Segregated Fund (continued)

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

Credit risk arises from the potential for an issuer to default on its contractual obligations to the Plan. The Plan limits credit risk by dealing with issuers that are considered to be high quality.

The investment is comprised of London Life Investment Management Ltd. units of a segregated fund that holds units of Phillips, Hager & North Balanced Pension Trust Fund. The Balanced Pension Trust Fund has no fixed interest rate, and its returns are based on the performance of the fund. The fair value of the investment is considered to be the market value, the calculation of which is described in Note 2.

4. Obligations for Pension Benefits

The present value of the defined benefit obligation was determined using the projected benefits method prorated on service and the administrator's best estimate assumptions. Aon Consulting Inc. performed an actuarial valuation as at December 31, 2005 and as at December 31, 2004.

The pension obligation is based on a number of assumptions about future events including: interest rate, mortality and inflation. Actual rates may vary significantly from the long-term assumptions used.

Investment earnings in excess of 6% will be applied to provide increases to all defined benefit pensioners in receipt of benefits, which are paid from the pension fund. Therefore, the significant long-term assumption used in determining the actuarial value of accrued pension benefits was:

Interest rate 6%

Upon termination of the defined benefit portion of the Plan, any balance remaining, after discharging all liabilities, shall belong to SRC. The balance may be distributed in a manner to be determined by SRC, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act (Canada)* and the regulations thereunder.

The pension obligation is long term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling pension obligations. Therefore, determination of the fair value of the pension liability is not practicable.

5. Experience Gains / Losses

The experience losses in both 2005 and 2004 are the result of the Plan experiencing lower mortality rates during the year than those projected by the mortality table used by the actuary.

6. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by SRC and the PAC. SRC and the PAC review the investment performance of the Plan in terms of the performance of the benchmark portfolio over 5 year rolling periods. The long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio. Results for the year ended December 31, 2005 compared to the benchmark are as follows:

Period ending December 31, 2005	Benchmark Return	Annualized Gross Return
One year return	12.69%	10.01%
Three year return	11.78%	11.56%
Five year return	4.52%	4.67%

The one year rate of return is provided by London Life Investment Management Ltd. based on the performance of the segregated funds. The three and five year rate of returns are provided by Phillips, Hager & North.

7. Related Party Transactions

SRC provides general administrative services without charge.

8. Administration

Administration costs may be paid out of the Plan assets as provided for in the Plan text. Since the Plan was in a deficit position at January 1, 2003, the Board of Directors concurred with management's recommendation that SRC would not be reimbursed for administration costs until such time as a sufficient surplus exists. No administration costs were reimbursed in 2005 (2004 - $0).